
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION**

**DRAFT
MINUTES OF MEETING
March 15, 2006**

A meeting of the Board of Administration was held on Wednesday, March 15, 2006, CalPERS Auditorium, Lincoln Plaza North, 400 Q Street, Sacramento, California.

The meeting was called to order at time 9:00 a.m. by Board President Rob Feckner.

The Secretary called the roll and the following Board members were present:

Rob Feckner, President
Robert Carlson, Vice President
Ron Alvarado
James Zerio representing Philip Angelides
Marjorie Berte
Priya Sara Mathur
Debbie Endsley representing Michael Navarro
Tony Oliveira
Michael Quevedo
Charles Valdes
Nick Smith representing Steve Westly

Excused: George Diehr and Kurato Shimada

AGENDA ITEM 3 – ANNOUNCEMENT OF CLOSED SESSION

President Feckner announced there will be no closed session.

AGENDA ITEM 4 – APPROVAL OF THE FEBRUARY 16, 2006 MEETING MINUTES

ON MOTION by Ms. Mathur, **SECONDED** and **CARRIED**, the Board approved the February 16, 2006 meeting minutes.

AGENDA ITEM 5 – CHIEF INVESTMENT OFFICER REPORT

Anne Stausboll, Interim Chief Investment Officer, presented this report to the Board.

The total market value of the fund as of Monday, March 13, was 203.6 billion. The performance returns net of fees for the fiscal year to date was 11 percent against a benchmark of 10.1 percent. The performance returns for the 12-month period ending February 28 were 13.4 percent against a benchmark of 11.5 percent.

The Diversity Conference is scheduled for April 25 and 25 in San Jose, California.

AGENDA ITEM 6 – INVESTMENT COMMITTEE

Charles Valdes, Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, March 13, 2006.

Additional information may be found in the March 13, 2006 agenda materials and/or transcripts of the Committee meeting.

The Board accepted the Committee Summary report (attached).

The next meeting of the Committee is scheduled for April 17, 2006 in Sacramento, California.

AGENDA ITEM 7 – BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

Rob Feckner, Vice Chair, Benefits and Program Administration Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, March 14, 2006.

Additional information may be found in the March 14, 2006 agenda materials and/or transcripts of the Committee meeting.

On motions by the Committee, the Board approved the following:

- ❖ Proposed amendments to Title 2 of the California Code of Regulations to make explicit the current CalPERS policies and practices for interest rates charged on member installment payments for service credit purchases and contribution adjustments.

The next meeting of the Committee is scheduled for April 18, 2006 in Sacramento, California.

AGENDA ITEM 8 – HEALTH BENEFITS COMMITTEE

Priya Mathur, Vice Chair, Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, March 14, 2006.

Additional information may be found in the March 14, 2006 agenda materials and/or transcripts of the Committee meeting.

On motions by the Committee, the Board approved the following:

- ❖ Long-Term Care Program 2005 Valuation Report and continue the process of evaluating possible rate changes to 2005 and earlier Long-Term Care Program rates.
- ❖ 2006 Long-Term Care Program Application Period and approve in concept that 2006 rates will include an appropriate surplus margin to reflect moderately adverse conditions. Mr. Zerio abstained.
- ❖ Waive the Health Benefits Committee interviews with the selected finalist and proceed with inclusion of all four responding firms under the Request for Proposal #2005-3724, Health Actuarial and Benefits Consultant Services Pool, subject to successful negotiations.

The next meeting of the Committee is scheduled for April 18, 2006 in Sacramento, California.

AGENDA ITEM 9 – FINANCE COMMITTEE

Robert Carlson, Chair, Finance Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, March 14, 2006.

Additional information may be found in the March 14, 2006 agenda materials and/or transcripts of the Committee meeting.

On motions by the Committee, the Board approved the following:

- ❖ Issuance of a Request for Proposal, including Finance Committee amendments, to obtain the services of a qualified audit firm to audit CalPERS' financial statements.
- ❖ First reading proposed fiscal year 06-07 administrative budget of \$261,831,143 and 1,924 positions, proposed fiscal year 06-07 CalPERS headquarters building account budget of \$33,242,277, proposed fiscal year 06-07 enterprise projects budget of \$35,916,500, and the transmittal letter to the Joint Legislative Budget Committee, Fiscal Committees of the Legislature, State Controller, and Department of Finance, in accordance with the Budget Act of 2005, and to the Legislative Analyst's Office, State and Consumer Services Agency, and Office of Legislative Counsel. Mr. Zerio voted no.

The next Committee meeting is scheduled for April 14, 2006 in Sacramento, California.

AGENDA ITEM 10 – PERFORMANCE AND COMPENSATION COMMITTEE

Priya Mathur, Acting Chair, Performance and Compensation Committee, reported there was no Committee meeting this month.

AGENDA ITEM 11 – AD HOC BOARD GOVERNANCE COMMITTEE

Rob Feckner, Chair, Ad Hoc Board Governance Committee, reported there was no Committee meeting this month.

AGENDA ITEM 12– BOARD MEETING CALENDAR

Fred Buenrostro, Chief Executive Officer, reported that the Board will meet in a noticed session on March 28 and 29 in Washington, DC, for its Federal Workshop and March 29 and 31 in Washington DC for the Spring Council of Institutional Investors meeting.

AGENDA ITEM 13 – CHIEF EXECUTIVE OFFICER'S REPORT

There was no new information to report.

AGENDA ITEM 14 – BOARD’S STATE LEGISLATIVE PROGRAM/BOARD’S POSITION ON STATE LEGISLATION

Lisa Marie Hammond, Chief, Governmental Affairs, reported that eight bills will be brought before the Board’s next meeting for review and recommendation. The legislative committee hearings will commence the end of March to the beginning of April.

AGENDA ITEM 15 – BOARD’S FEDERAL LEGISLATIVE PROGRAM/BOARD’S POSITION ON FEDERAL LEGISLATION

Tom Lussier, CalPERS Federal Legislative Liaison, provided an update on the following issues:

- Pension Reform legislation
- Legislation to be taken up before the Health Subcommittee of the Energy and Commerce Committee concerning information technology related quality initiatives

ON MOTION by Mr. Smith, **SECONDED** and **CARRIED**, the Board adopted a support position on HR 4291.

AGENDA ITEM 16 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

ON MOTION by Ms. Mathur, **SECONDED** and **CARRIED**, the Board adopted staff’s recommendations on item A (matter of Mary R. Culver) and that the decision not be designated precedential.

AGENDA ITEM 17 – GENERAL COUNSEL’S REPORT

Peter Mixon, General Counsel, stated he will periodically report on legal cases that CalPERS is not a party which potentially could affect CalPERS. The Legal Office will be working with the Board President to set up a fiduciary workshop in June of this year during the regular Board cycle. Staff will also work with the outside fiduciary counsel to set up a program.

AGENDA ITEM 18 – BOARD TRAVEL APPROVALS

ON MOTION by Mr. Carson, **SECONDED** and **CARRIED**, the Board approved travel request item A-1. Mr. Zerio voted no.

ON MOTION by Mr. Carlson, **SECONDED** and **CARRIED**, the Board approved travel request items A-2 and A-3.

AGENDA ITEM 19 – DRAFT AGENDA FOR APRIL 19, 2006 MEETING

The Board accepted the draft April 19, 2006 meeting agenda.

There being nothing further to come before the Board of Administration, the meeting adjourned at 9:35 a.m.